



Los Angeles World Airports

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April 10, 2002

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DOCKETS

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OST-02-11590-16

Docket Operations and Media Management Division
SVC-124, Room PL-401, Department of Transportation
400 7th Street, SW,
Washington DC 20590

Re: Small Community Air Service Development Pilot Program

Dear Proposal Review Board:

LAX

Ontario

Van Nuys

Palmdale

City of Los Angeles

James K. Hahn
Mayor

Board of Airport
Commissioners

Theodore Stein, Jr.
President

Warren W. Vaidry
Vice President

Eileen N. Levine
Cheryl K. Petersen
Armando Vergara, Sr.
Mahala Walter
Ieland Wong

Lydia H. Kennard
Executive Director

Los Angeles World Airports (LAWA) is pleased to respond to the Department of Transportation's (DOT) request for proposals from interested communities and consortiums of communities for the new Small Community Air Service Development Pilot Program. The statute institutes a new pilot program designed to help smaller communities enhance or establish air service. LAWAS' Palmdale Regional Airport (PMD) fits that description. PMD is located in the growing city of Palmdale in the Antelope Valley and has no scheduled air service at this time.

LAWA is committed to the regional approach to meeting the air transportation needs of Southern California. We believe that our goal is identical to the goal of the DOT's program, which is to establish air service in a community that is currently receiving insufficient air service.

We propose to attract new air service to the area through a variety of marketing approaches. These include promoting awareness among the residents of the market catchment area, attracting new carriers through revenue guarantees or offsetting operating costs, by offering struggling carriers financial incentives package like more favorable treatment at LAX, and/or by encouraging carriers to upgrade their equipment from turboprops to regional jets.

We know that establishing air service at PMD will bring tangible benefits to the growing Antelope Valley community. PMD is one of the region's best options to meet current and future air service demand.

We look forward to your review of our proposal and if you have any questions, please do not hesitate to contact Philip Depoian of my staff at 310 646-8158.

Sincerely,

Lydia Kennard, Executive Director

LHK:PD:AR:tb

AIR SERVICE DEVELOPMENT ACTION PLAN
PALMDALE REGIONAL AIRPORT (PMD)

Background Information

Los Angeles World Airports (LAWA) is the agency that owns and operates Los Angeles International (LAX), Ontario International (ONT), Palmdale Regional (PMD), and Van Nuys Airports (VNY). Palmdale Regional Airport is located in the Antelope Valley, in the northeast portion of the city of Palmdale on a 70-acre site on United States Air Force Plant 42. PMD is a joint use facility between the Air Force and Los Angeles World Airports (LAWA). The Air Force owns and operates the runways and taxiways and LAWA owns and operates the passenger terminal. A 25-year lease agreement with the Air Force permits commercial aircraft flights on Plant 42, deferring runway construction on LAWA property until Plant 42 reaches its commercial capacity.

The airport features a newly refurbished, 9,000 square-foot terminal capable of handling up to 300,000 passengers annually. LAWA owns approximately 17,750 acres of land adjacent to Plant 42, most of which is available for development. The airport is approximately 70 miles north of Los Angeles International Airport, and about 35 air miles north of the Los Angeles Civic Center. The terminal has one gate, ample ramp space for several aircraft depending on size, and can also handle alternate operations for wide-bodied jets when other airports are closed due to weather conditions. Approximately 350 free parking spaces are directly outside the terminal.

PMD's catchment area is primarily the Greater Antelope Valley, an area north of the Los Angeles basin but can also service other nearby communities. In the past, PMD operated as a commercial passenger airport with commuter air service, however no scheduled airline service is operating at this time.

As part of LAWAs ongoing efforts to expand operations at PMD, the cities of Los Angeles and Palmdale entered into a Cooperation Agreement to actively market the airport to commercial carriers, commuter airlines, and maintenance operations. Key provisions of the agreement include:

- A commitment to market existing terminal facilities to commercial air carriers.
- Development of new passenger and cargo facilities.
- Creation of a Palmdale Working Group, representing various public and private agencies to jointly address obstacles and to develop an action plan, as well as an investment strategy linked to elements of the Cooperation Agreement.
- Commitment to push for improving or constructing roadways, highways and a high-speed rail to facilitate ground access for airport users.

General Description

In LAWA's efforts to develop ONT and PMD, it has developed an Air Service Marketing Division to promote new air service to those two airports. Its mission is to promote the full use of LAWA's commercial facilities to ensure a regional solution to Southern California's transportation needs.

LAWA's ongoing strategy has been to begin by having studies prepared to identify the destinations that would most likely receive significant use from local residents. Carriers most likely to fit with these destinations are then identified. This information is then used as a basis for preparing presentations to air carriers to convince them of the viability of these routes. LAWA staff has conducted presentations of this type over the past two years with only limited interest from air carriers.

In September 2001, LAWA retained the services of several consulting firms to assist in the further implementation of air service development efforts. In March 2002, LAWA issued a Notice to Proceed to one of its firms to begin the development of new presentation packages to air carriers regarding commercial air service at PMD. These packages are a means of educating selected air carriers on the existing market that is being unserved. Once an airline has committed to establishing a new service to PMD, LAWA is willing to provide financial incentives or marketing resources to promote this service to local travelers in a promotional campaign that can last from 4 to 6 months.

Primary Objective?

The primary objective of LAWAs Air Service Development Action Plan is to obtain carriers to establish viable new air service to Palmdale Regional Airport (PMD) and to help sustain this service through marketing and promotional efforts.

What do you hope to accomplish?

Over the next six months, LAWA hopes to convince an air carrier(s) that the Antelope Valley, the geographic area wherein PMD is located, has a business and residential base large enough to sustain new air service to several destinations. Currently, no carrier serves PMD with scheduled air service, requiring local passengers to drive to airports in the Los Angeles basin, including Los Angeles International, Ontario International, or Burbank-Glendale-Pasadena Airports.

LAWA anticipates that the airport will be needed to handle local demand and some portion of regional demand due to constraints foreseen for established airports and should function as a regional airport within the next 30 years rather than the major gateway that was once envisioned.

What do you not expect to accomplish?

The intent is not to shift service from LAX or other regional airports to PMD, but rather to provide a necessary service to passengers from the Antelope Valley who are currently driving to distant airports to embark in air travel.

If you intend to conduct study(s), what type?

LAWA's consulting firm will conduct an analysis of the factors that will contribute to an overall market development. This may require the consulting firm to include in their analysis an evaluation of the area's demographic and economic aspects, market conditions in the Southern California region, and analyses of the top destinations for travelers from the Greater Antelope Valley. If applicable, the consulting firm will identify the incentives that may be necessary to draw a carrier to this market.

Will you hire any full-time equivalent positions?

In the establishment of its fiscal year 2000-2001 budget, LAWA created a new Air Service Marketing Division which has as a goal the establishment, increase, and promotion of new air service to Ontario International and Palmdale Regional Airports. Although not currently staffed, the division will have two full-time positions dedicated to this mission.

Will you make use of local universities in any travel-related surveys?

LAWA will not be using local universities in any travel surveys. LAWA contracted for a telephone survey in 1998 of residents of Palmdale, the Antelope Valley, and the San Fernando Valley to determine air travel activity and preferences within the likely market for PMD.

Do you expect to hire or employ any type of consulting firm?

On September 5, 2001, LAWAs Board of Airport Commissioners approved the award of five air service consulting and/or marketing contracts to assist in the implementation of its air service marketing program. Subsequent financial problems stemming from the terrorist attacks on the United States and their impact on the aviation industry delayed the implementation of LAWAs efforts. The length of the contracts will be for three years for as-needed service related to air service marketing projects.

If you have an existing action plan, show existing funding sources and amounts and describe existing program?

This is a new program. Any funds received through this Federal grant program will be used to develop packages to solicit the establishment of air service where none currently exists. Funding for efforts beyond this project will be established in LAWA's fiscal year budget for 2002-2003 at levels that have not been determined. LAWAs intent is to continue to solicit new air service from air carriers and to support any new service through marketing and promotional efforts although no action plan has been developed beyond the next three years.

If this is a new program, what are the immediate, mid-term, and long-term goals?

The immediate goal of the program is the re-establishment of air service to PMD within the next six months. The mid-term goal is to return PMD's passenger traffic to a level comparable to its previous peak of service of about 44,000 passengers annually. LAWA's long-term goal is to see the establishment of air service that provides the local community with a variety of convenient destinations and establishes PMD's role as a regional airport.

Does the airport have an existing master plan or airport layout plan that details any airside or groundside capacity-related projects that must be completed or will be required if the airport is successful in reaching its goal?

The airport has an approved airport layout plan for the property owned by LAWA that shows facilities planned for the proposed buildout airport to serve 100 MAP. An EIR/EIS was also completed for that plan in 1978. Plans for development of that airport were put

off when LAWA gained access to Air Force Plant 42 under a joint use agreement. That Joint Use Agreement allows LAWA to operate a commercial airport up to an activity level of 40 operations per day. LAWA has developed a plan for terminal facilities on leased property on Plant 42 to accommodate that level of activity. An EIR for that expansion was developed in draft but has not been circulated. Population growth patterns, transportation issues and changes in the air travel industry have combined to considerably lower the expected long-term demand for air service in Palmdale below the original forecast of 100 MAP. LAWA still anticipates that the airport will be needed to handle local demand and some portion of regional demand due to constraints foreseen for established airports but should function as a regional airport within the next 30 years rather than the major gateway that was once envisioned. LAWA is now in the process of developing a new master plan for PMD that will reassess the long term demand for air service and propose facilities to accommodate that demand either on LAWA property or at Plant 42. The master plan and accompanying environmental documentation should be completed in approximately two years.

Groundside Capacity Issues (Access Roads): The California Department of Transportation (CalTrans) is planning improvements to SR 14 and SR 138 which provide access to the airport. Alignments for SR 138 have been discussed to settle right of way and alignment issues that will ensure good access to the airport.

Are federal funds currently obligated for any federal eligible project identified above?

No federal funds are currently obligated for the above-cited projects.

An AIP Grant in the amount of \$500,000 has been executed for an Airport Cargo Ramp project at Palmdale with an estimated total cost of \$3,000,000. An additional application requesting 90% AIP participation for the project has been submitted to the FAA. The project is being delayed until two issues are resolved. The first is that United States Air Force approval of the project is required and has not been obtained. The second is the decision concerning the additional discretionary funding from the FAA up to the 90% reimbursable amount.

How should the effectiveness of your plan be measured?

The effectiveness of LAWAs plan can be measured by determining whether new air service to PMD is established. The establishment of service within the next six months will achieve LAWA's immediate goal. LAWAs mid-term goal will be achieved once passenger levels are established comparable to PMD's previous peak of 44,000 annual passengers. The establishment of air service to at least six destinations from PMD will be the measure of LAWAs success in achieving its long-term goal.

AIRPORT and COMMUNITY NAME and ADDRESS

NAME: Los Angeles World Airport, City of Los Angeles
ADDRESS: 1 World Way, Room 219
Los Angeles, CA 90045
CONTACT: Philip Depoian, Deputy Executive Director
TELEPHONE: 310 646-8158

ADDITIONAL COMMUNITY MEMBERS

Palmdale City Hall
38300 Sierra Highway
Palmdale, CA 93550
661 2670-5100

PROJECT SPONSOR

Los Angeles World Airports

PROJECT PROPSAL

PROJECT: Air Service Marketing Plan for Palmdale Regional Airport

DESCRIPTION: Within a short time frame, the Los Angeles World Airports seeks to establish new service at Palmdale Regional Airport (PMD). In order to do so, LAWA wishes to use the services of Simat, Helliiesen, & Eichner, Inc. (SH&E) to prepare introductory promotional and airline opportunity packages targeting specific carriers and routes. These introductory promotional and airline opportunity packages will be needed in order to solicit new air service to target markets.

DURATION: Four to Six Months

- 0 – 2 mos. Analysis
- 3 – 4 mos. Air carrier meetings

ELEMENTS: LAWAs proposed strategy is to market to domestic airlines to establish new air service at PMD using the following tools.

Introductory Promotion Package - These packages will provide an overview of the Los Angeles Market and set the stage for presenting a specific air service opportunity to the target carrier.

The components to include in the package are outlined below:

- I. Executive Summary
- II. Table of Contents
- III. Southern California region catchment area
 - a. Catchment areas for each airport highlighted to provide the air carriers with a general perspective on the airports in the Southern California region.

- IV. Regional Economic and Demographic Profile
 - a. Population, income, employer, etc.
- V. Major Industries in the Southern California Region
- VI. Overview of the passenger Market in the LA Basin and Greater Antelope Valley
- VII. Overview of LAWA's Airports
 - a. Highlights for PMD
 - I. Facilities
 - II. Services
 - III. Carriers serving the market
- VIII. Summary of the Introductory Promotion Package

Airline Opportunity Presentation – Develop an airline opportunity presentation to the target air carrier. The presentation would focus on the specific opportunity that LAWA is seeking the target carrier to consider at PMD. This material, along with the introductory package, would be presented to each targeted air carrier during a one on one meeting with LAWA.

The presentation for PMD will highlight not only the market benefits of service to PMD, but also the overall strategic benefits to the target carrier.

The components to include in the presentation are outlined below:

- Summary of the opportunity for the targeted carrier
- Traffic summary and trends section including, carrier shares, load factor, average fares, and capacity analysis for the potential area served by PMD.
- Outline the specific O & D regional opportunities for the air carrier. Solicit hub or primary airlines to establish new service from PMD to target cities:
 - *PMD-Phoenix
 - *PMD-Las Vegas
 - *PMD-Oakland
 - *PMD-San Francisco
 - *PMD-San Jose
 - *PMD-Sacramento
- Rates and Charges schedule
- Cost summary for an air carrier operation at PMD

COSTS: We propose a budget of \$65,000 for this project.

Local Share

• Public Funds	\$65,000
• Private Funds	\$ 0
State share	\$ 0
Proposed Federal share	\$65,000

PROJECT EVALUATION CRITERIA

The following milestones will measure progress of LAWAs Air Service Marketing Plan for the Palmdale Regional Airport:

- The number of air carriers that meet with LAWA regarding the establishment of service at PMD.
- Whether any air carriers establishes service at PMD.
- The level of passenger air traffic achieved by the end of 2002.

Quarterly reports will report on the progress of the project and how successfully LAWA is meeting the above-mentioned milestones.

Historical Air Service

PMD is located in one of the fastest growing regions in California. Working in partnership with the cities of Los Angeles and Palmdale, LAWA's objective is to develop PMD into a regional airport with commercial air carriers, commuter airlines, cargo operators, and aircraft maintenance and repair facilities.

In the past 13 years PMD has had 3 airlines provide service – America West, Sky West and United Express. From 1989 to 1991 America West operated turbo prop commuter service to Las Vegas and Phoenix. However, in 1992, they filed for Chapter 11 reorganization and dropped service at PMD. From 1991 to 1995 Sky West operated PMD to LAX commuter service and from 1995 to 1998 United Express provided the same service. There has been no air service provided to this community since April 1998. At its peak, PMD reached a level of 44,000 annual passengers.

Existing Air Service

While specially scheduled charter flights have used the airport, **no scheduled airline service is operating at this time.** LAWA seeks to establish new service at PMD.

Currently, PMD serves the airline maintenance industry with a maintenance facility. The passenger terminal has been renovated and is ready to provide passenger and cargo service to Southern California.

Analysis of Communities Air Service Need

The PMD market is located north of the Los Angeles basin. The primary market service area for PMD is comprised of the Antelope Valley, including the cities of Palmdale and Lancaster with a population of approximately 250,000. The secondary market service area is the Santa Clarita Valley, including the communities of Santa Clarita, Valencia, Saugus, and Newhall, population 187,000. PMD is expected to draw airline passengers from both the primary and the secondary market areas.

As previously stated, no carrier serves PMD with scheduled air service at this time, requiring local passengers to drive to airports in the Los Angeles basin, including Los Angeles International, Ontario International, or Burbank-Glendale-Pasadena Airports.

LAWA anticipates that PMD will be needed to handle not only local demand, but also a portion of regional demand due to the capacity constraints foreseen for established airports in the Los Angeles basin. The objective is not to divert service from LAX to PMD, but rather to provide air service to passengers in the Antelope Valley who are currently driving to distant airports to embark in air travel.

Based on a U.S. DOT O&D Survey of the top 50 markets in the Los Angeles region, LAWA has targeted Las Vegas, Phoenix, Sacramento and the Bay area including San Francisco, Oakland, and San Jose as probably destinations from PMD.

Public-private partnership

A cooperative agreement established a Palmdale Working Group, representing various public and private agencies to jointly address obstacles and to develop an action plan, as well as an investment strategy linked to elements of the Cooperation Agreement.

**PALMDALE REGIONAL
AIRPORT- OPERATING
BUDGET FY2000, 2001& 2002**

PMD Revenue

	Actual Revenue 1999-2000	Actual Revenue 2000-2001	Estimated Revenue 2001-2002
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AVIATION REVENUE			
Non-Signatory Flight Fees	\$0	\$0	\$0
Building Rentals	35,000	32,000	33,000
Land Rentals	467,000	446,000	438,000
Plane Parking	0	0	0
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Total Aviation Revenue	\$502,000	\$478,000	\$471,000
CONCESSION REVENUE			
Hotel and Motel Listing	\$0	\$0	\$0
Parcel Locker and Other	0	0	0
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Total Concession Revenue	\$0	\$0	\$0
AIRPORT SALES AND SERVICES			
Utilities	\$3,000	\$2,000	\$3,000
Accommodations	0	11,000	\$0
Other Sales and Services	0	0	\$0
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Total Sales and Services	\$3,000	\$13,000	\$3,000
MISCELLANEOUS REVENUE			
Miscellaneous Revenue	\$12,000	\$21,000	\$11,000
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Total Operating Revenue	\$517,000	\$512,000	\$485,000
Non-Operating Income	\$0	\$0	\$0
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Total Revenue	\$517,000	\$512,000	\$485,000
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Proposal under the Small Community **Air** Service Development Pilot Program

PMD Expenses

	Expenditures	Expenditures	Estimated Expenditure
	FY1999-2000	FY 2000-2001	FY 2001-2002
SALARIES AND BENEFITS	374,957	\$545,000	\$707,000
MATERIALS, SUPPLIES AND SERVICES			
Contractual Services	14,985	111,000	\$3,014,000
Administrative Services	1,500	(104,000)	3,000
Materials and Supplies	616,362	209,000	171,000
Utilities	31,686	31,000	91,000
Advertising and Public Relations	916	17,000	120,000
Other Operating Expenses	50,943	608,000	608,000
Total Materials, Supplies & Services	\$716,392	\$872,000	\$4,007,000
Total Operating Expenses	\$1,091,349	\$1,417,000	\$4,714,000
ASSETS			
Total Equipment & Vehicles	25,022	\$1,325	\$6,000
Total Operating Expenses and Assets	\$1,116,371	\$1,418,325	\$4,720,000